

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 OES-03 XMB-02 TRSE-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 SP-02 SS-15 STR-04 PA-01 PRS-01

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P 111750Z MAR 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 6304

C O N F I D E N T I A L ROME 4034

E.O. 11652: GDS

TAGS: ENRG, IT

SUBJECT: US-ITALY ENERGY WORKING GROUP (EWG)

REF: (A) STATE 37521, (B) ROME 2427, (C) ROME 2320,  
(D) ROME 2219

SUMMARY: DURING MARCH 9 DISCUSSION WITH ECMIN, MFA ENERGY COORDINATOR EXPRESSED DEEP DISAPPOINTMENT WITH LATEST USG DRAFT SUMMARY STATEMENT AND ASKED FOR QTE GESTURE UNQTE RECOGNIZING US-ITALY BILATERAL RELATIONS. EMBASSY CONCERNED OVER APPARENT DEADLOCK ON EWG. WHILE EMBASSY UNABLE ADDRESS SUBSTANTIVE ASPECTS OF EWG ISSUES, IT URGES THAT USG TAKE FORTHCOMING POSITION ON BILATERAL ENERGY ISSUES IN SUPPORT OF USG POLICY GOALS IN ITALY. UPCOMING PARLIAMENTARY DEBATE ON INTERNATIONAL ENERGY PROGRAM (IEP) RATIFICATION PROVIDES OPPORTUNITY FOR POSITIVE IMPACT ON ITALIAN DECISION MAKERS. END SUMMARY.

1. IN COURSE OF MARCH 9 EWG REVIEW WITH ECMIN, MFA REP MIGLIUOLO ASKED FOR PROGRESS REPORT ON EWG MATTERS (REF B AND C) AWAITING DEPARTMENT'S ACTION. ECMIN REPLIED  
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THAT EMBASSY HAD NO INFORMATION TO REPORT AND THAT DELAY

IN RESPONSE POSSIBLY ATTRIBUTABLE TO BOSWORTH'S CIEC AND IEA ACTIVITIES. RE SUMMARY STATEMENT, MIGLIUOLO EXPRESSED SHARP DISAPPOINTMENT WITH LATEST USG DRAFT AND STATED THAT AFTER DISCUSSIONS WITH MINISTRY OF INDUSTRY AND TREASURY REPS, HE WOULD NOT RPT NOT BE ABLE TO RECOMMEND GOI ACCEPTANCE. DIFFERENCES WERE SUCH, ACCORDING TO MIGLIUOLO, THAT HE DOUBTED GOI WOULD BE ABLE TO RESPOND ON THE BASIS OF THE USG DRAFT. MIGLIUOLO INDICATED PROBLEMS ARE AS MUCH ATMOSPHERICS AS SUBSTANCE. USG DRAFT DE-EMPHASIZES BILATERAL ASPECTS; FOR INSTANCE, CHANGE OF HEADING QTE FINANCING UNQTE TO QTE EXPORT FINANCING UNQTE CHANGES STRESS FROM WHAT US IS DOING FOR ITALY TO WHAT US IS DOING FOR US EXPORTERS. SIGNIFICANCE OF THIS SHIFT, HE ASSERTED, WOULD NOT RPT NOT BE MISSED BY ITALIAN DECISION MAKERS. MIGLIUOLO DID NOT ELABORATE ON SUBSTANTIVE WEAKNESSES.

2. ACCORDING TO MIGLIUOLO, USG QTE GESTURE UNQTE OF SUPPORT FOR ITALY IS NECESSARY TO COUNTERACT WIDESPREAD NEGATIVISM AMONG ITALIAN ENERGY POLICY MAKERS RE EWG AND INTERNATIONAL ENERGY COOPERATION GENERALLY. MIGLIUOLO BELIEVES SUCH A QTE GESTURE UNQTE WOULD DO MUCH TO BALANCE DISAPPOINTMENT STEMMING FROM FAILURE TO ACHIEVE DESIRED RESULTS ON ACCESS TO ENERGY RESOURCES ISSUE IN IEA. NEED FOR SUITABLE ACTION PARTICULARLY IMPORTANT IN VIEW OF PARLIAMENTARY DEBATE (INSTEAD OF SIMPLE EXECUTIVE AGREEMENT, AS ORIGINALLY HOPED) ON IEP RATIFICATION IN LATE MARCH OR EARLY APRIL. MIGLIUOLO SAID THAT RATIFICATION CAN NOT RPT NOT BE TAKEN FOR GRANTED.

3. COMMENT: OUR BILATERAL ENERGY RELATIONS APPEAR TO BE STUCK AT DEAD CENTER. GOI IS APPARENTLY UNWILLING TO RESPOND ON BASIS OF LATEST USG DRAFT OF SUMMARY STATEMENT (REF A), AND WE ARE AWAITING SUCH RESPONSE PRIOR TO MOVING AHEAD ON VARIOUS ISSUES RAISED BY GOI (REFS B AND C), NOTABLY RE-CONVENING OF EWG. EMBASSY IS NOT ABLE TO ADDRESS SUBSTANTIVE ISSUES UNDER DISCUSSION AND RECOGNIZES THAT MIGLIUOLO MAY WELL BE PRESSING FOR CONCESSIONS HE KNOWS WE ARE NOT IN A POSITION TO MAKE. NEVERTHELESS, MIGLIUOLO'S POINT CONCERNING PRESENTATIONAL ASPECT OF SUMMARY STATEMENT APPEARS WELL TAKEN.

4. EMBASSY UNDERSTNADS THAT FUTURE OF EWG IS CURRENTLY BEING CONFIDENTIAL

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DISCUSSED IN WASHINGTON, AS IT IS APPARENTLY UNDER DISCUSSION HERE. LOW LEVEL OF PERCEIVED BENEFITS, BILATERALLY AS WELL AS MULTILATERALLY, HAS LED TO CONSIDERABLE SKEPTICISM ON PART OF SOME GOI ENERGY POLICY MAKERS RE VALUE OF INTERNATIONAL COOPERATION IN ENERGY AREA AND A CORRESPONDING TENDENCY TO SUPPORT A MORE INDEPENDENT ITALIAN POLICY LINE. CERTAINLY, IF CONCRETE RESULTS ARE NOT TO BE FORTHCOMING, THE EWG WILL BE AN EMBARRASSMENT TO BOTH USG AND GOI AND SHOULD

BE TERMINATED GRACEFULLY.

5. IN EMBASSY'S VIEW, FUTURE OF EWG AND, MORE BASICALLY, BILATERAL ENERGY RELATIONS, HAVE CONSIDERABLE SIGNIFICANCE IN POLITICAL CONTEXT. GOI OBVIOUSLY SEEKING MAXIMUM GAINS THROUGH EWG MECHANISM INTER ALIA AS VISIBLE EVIDENCE OF USG COMMITMENT TO GOI AND, BY EXTENSION, TO DC AND OTHER DEMOCRATIC FORCES. ABILITY OF USG TO TAKE POSITIVE STEPS TO ASSIST LATTER IS CLEARLY LIMITED, WHILE NUMBER OF ACTIONS IN U.S. HAVE ADVERSELY AFFECTITALLY, E.G. CIA QTE REVELATIONS UNQTE, LOCKHEED SCANDAL AND PRESUMABLY IMMINENT IMPORT RESTRICTIONS ON LEATHER FOOTWEAR. TO EX-TENT THAT USG CAN BE FORTHCOMING ON BILATERAL ENERGY MATTERS, THERE WILL BE FAVORABLE POLITICAL FALL-OUT, CONTINUING POSITIVE IMPACT OF SECRETARY SIMON'S VISIT.

6. EMBASSY BELIEVE THAT UPCOMING PARLIAMENTARY DEBATE PRESENTS US SIGNIFICANT OPPORTUNITY TO REINFORCE US POLICY GOALS IN ITALY. WHILE WE ARE CONFIDENT THAT THE GOI CAN AND WILL MAKE THE MOST EFFECTIVE CASE POSSIBLE FOR IEP RATIFI-CATION, PASSAGE IS FAR FROM AUTOMATIC. AT VERY LEAST, WE SHOULD RECOGNIZE THAT DEBATE ON IEP IN PARLIAMENT WILL STRONGLY CONDITION AND LIMIT NATURE OF FUTURE GOI SUPPORT COR CONSUMER COOPERATION. OUR ACTION--OR INACTION--COULD BE AN IMPORTANT FACTOR IN THIS DEBATE. VOLPE

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